

AR20

Simpsons, Limited
1975
Annual Report

Simpsons

You'll enjoy shopping at

Simpsons



... for value

The appeal of fine quality merchandise is coupled at Simpsons with a consistent reputation for competitive prices. Customers look to Simpsons for best value in goods of every category, from fashion trends to everyday needs for family and home.

... for selection

Given a choice — a discerning clientele prefers the store where there is variety. Simpsons caters to this preference with goods obtained through world-wide resources, backed by Simpsons company-wide buying strength.

... for service

The tradition of service that has distinguished Simpsons since 1872 has evolved in time with technology. Simpsons facilities, such as credit, phone order and delivery, complement the personal attention always available.

... for satisfaction

All elements of shopping enjoyment are inherent in Simpsons Guarantee: Satisfaction or Money Refunded. And, beyond the shopping is the added appeal of events of public interest, so often centred in Simpsons 19 great stores.

DIRECTORS

William D. Allport
 Thomas J. Bell, M.C.
 G. Allan Burton, D.S.O., E.D., LL.D.
 Betty Kennedy
 Elmer L. Rounding
 Ian D. Sinclair, Q.C., LL.D.
 James M. Tory, Q.C.

Jack C. Barrow

Edgar G. Burton

Charles L. Gundy, LL.D.

Alfred Powis, LL.D.

J. Michael G. Scott

Charles B. Stewart

William P. Wilder

OFFICERS

G. Allan Burton, D.S.O., E.D., LL.D.
*Chairman of the Board and
 Chief Executive Officer*

Charles B. Stewart
President

Charles L. Gundy, LL.D.
Vice-President

William D. Allport
Vice-President and Comptroller

Edgar G. Burton
Vice-President, Corporate Affairs

Ronald J. Crichton
Vice-President, Operating

Kenneth W. Kernaghan, Q.C.
Vice-President and Secretary

Elmer L. Rounding
Vice-President, Planning and Development

Douglas R. Steele
Vice-President, Merchandising

A. Ernest Wilkes
Vice-President and Treasurer

Ian M. Gibson
Assistant Treasurer

Ronald L. Radley, Q.C.
Assistant Secretary

HEAD OFFICE

THE SIMPSON TOWER
 401 Bay Street, Toronto, Canada
 M5H 3K2

DEPARTMENT STORES

TORONTO AREA
 Downtown
 Yorkdale
 Cedarbrae
 Fairview
 Sherway

HALIFAX AREA
 Chebucto Road
 Micmac-Dartmouth

REGINA
 Downtown

LONDON
 Downtown

KITCHENER
 Fairview Park
Opening August 20, 1975

REGISTRARS

THE ROYAL TRUST COMPANY
 Toronto and Montreal

CANADA PERMANENT TRUST COMPANY
 Halifax, Winnipeg and Calgary

THE CANADA TRUST COMPANY
 Vancouver

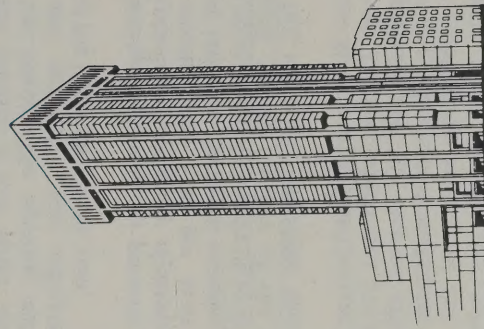
TRANSFER AGENTS

NATIONAL TRUST COMPANY, LIMITED
 Toronto and Montreal

CANADA PERMANENT TRUST COMPANY
 Halifax, Winnipeg and Calgary

THE CANADA TRUST COMPANY
 Vancouver

Simpsons
 103rd YEAR

**INTERIM****REPORT TO SHAREHOLDERS**

FOR SIX MONTHS ENDED JULY 9, 1975

SIMPSONS, LIMITED

THE SIMPSON TOWER
 TORONTO, CANADA
 M5H 3K2

TO THE SHAREHOLDERS:

Sales for the six months ended July 9, 1975 totalled \$233,585,000, an increase of 12.2% over the same period last year. Second quarter sales started on a strong trend but May and June were softer than expected.

We believe that the economic recession in Canada has reached a low point and recovery already has begun. The upswing will be more gradual and protracted than indicated by predictions at the beginning of the year.

Net earnings reflected the pressures of higher wages, expenses and inventory adjustments and for the six months were 7.8¢ per share compared with 16.8¢ last year. Stringent expense controls in all operating areas should enable us to show a much better result for the balance of the year while meeting full wage and employee benefit trends.

The new Metropolitan Road Service Building in Scarborough, Ontario, which cost \$13,000,000, is in full operation and will increase efficiency and productivity in heavy goods handling for all Ontario stores. A considerable amount of the expense of the opening phase of this new operation has been included in the first six months results.

The Devonshire Mall store in Windsor, Ontario which opened last September has had an adverse effect on profits due to local economic conditions. On August 20, 1975 our nineteenth store will open in Fairview Park, Kitchener, Ontario. This full line Simpsons 180,000 square foot store which includes 50,000 square feet of warehouse space is ideally situated to serve the south western Ontario market. Fairview Park also contains an expanded Sears store as well as our new Simpsons store.

*Chairman of the Board
and Chief Executive Officer*

August 14, 1975

Si vous désirez recevoir un exemplaire en français de ce Rapport, veuillez vous adresser au Secrétaire.

INTERIM CONSOLIDATED STATEMENT OF EARNINGS

	Six months ended July 9, 1975	July 3, 1974
Net sales	\$233,585,478	\$208,146,192
Rentals and other income	1,549,185	1,746,197
Earnings from operations before income taxes	902,523	6,070,322
Federal and provincial income taxes	437,649	2,972,180
Equity in earnings of Simpsons-Sears Limited (dividends received 1975 — \$3,220,000; 1974 — \$2,940,000)	2,883,501	4,397,929
Equity in earnings of joint venture shopping centre companies (dividends received 1975 — \$125,000; 1974 — nil)	317,961	390,492
Net earnings	3,666,336	7,886,563
Net earnings per share	7.8 cents	16.8 cents

Subject to year-end audit and adjustments

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Six months ended July 9, 1975	July 3, 1974
SOURCES OF WORKING CAPITAL:	\$ 3,666,336	\$ 7,886,563
Net earnings	4,527,464	4,106,708
Non-cash charges deducted in arriving at earnings, principally depreciation and write-off on departmental improvements	143,538	(1,848,421)
Equity in undistributed earnings of Simpsons-Sears Limited and joint venture shopping centre companies	8,337,338	10,144,850
Funds provided from operations	46,785	112,194
Non-current accounts receivable	114,282	17,831
Common shares issued under Employees' Stock Option Plans	23,134	(18,725)
Loans to a Trustee under Employees' Stock Purchase Plan	—	14,860,127
Proceeds from sale of debentures	7,228	125,621
Investments and advances	90,217	41,426
Net book value of fixed assets disposals	8,618,984	25,283,324
APPLICATIONS OF WORKING CAPITAL:		
Additions to fixed assets	1,985,595	6,611,406
Expenditures on departmental improvements	1,160,024	2,944,197
Investments and advances	511,042	1,076,490
Retirement of long term debt	325,000	1,727,000
Dividends on common shares	4,930,364	4,694,092
	8,912,025	17,053,185
Increase (decrease) in working capital	\$ (293,041)	\$ 8,230,139
Working capital at end of period	\$140,832,358	\$142,184,078

Subject to year-end audit and adjustments

Simpsons, Limited
and Subsidiary Companies

Highlights

	1975 (52 weeks)	1974* (53 weeks)
Net sales	\$547,939,763	\$494,919,635
Earnings from operations	9,999,308	12,461,190
Equity in net earnings of Simpsons-Sears Limited and shopping centre companies, net of attributable interest	12,191,150	13,655,805
Earnings before non-recurring profit	22,190,458	26,116,995
Per share	47.3¢	55.6¢
Net earnings including non-recurring profit	22,190,458	27,222,695
Per share	47.3¢	58.0¢
Dividends paid	10,096,772	9,388,339
Contributions to Simpsons Profit Sharing Retirement Fund and Canada and Quebec pension plans	2,648,868	3,195,910
Expenditures for fixed assets including departmental improvements	10,806,093	26,458,290
Provision for depreciation	5,175,818	4,550,420
Write-off on departmental improvements	4,077,645	3,689,292

Earnings per share are based on weighted average number of shares outstanding during the year.

*Reclassified to conform with presentation for fiscal year ended January 7, 1976.

Directors

William D. Allport
Jack C. Barrow
Thomas J. Bell, *M.C.*
Edgar G. Burton
G. Allan Burton, *D.S.O., E.D., LL.D.*
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William P. Wilder

Officers

G. Allan Burton, *D.S.O., E.D., LL.D., Chairman of the Board and Chief Executive Officer*
Charles B. Stewart, *President*
Charles L. Gundy, *LL.D., Vice-President*
William D. Allport, *Vice-President and Comptroller*
Edgar G. Burton, *Vice-President, Corporate Affairs*
Ronald J. Crichton, *Vice-President, Operating*
Kenneth W. Kernaghan, *Q.C., Vice-President and Secretary*
Elmer L. Rounding, *Vice-President, Planning and Development*
Douglas R. Steele, *Vice-President, Merchandising*
A. Ernest Wilkes, *Vice-President and Treasurer*
Ian M. Gibson, *Assistant Treasurer*
Ronald L. Radley, *Q.C., Assistant Secretary*

Head Office

The Simpson Tower,
401 Bay Street, Toronto, Ontario M5H 3K2

Transfer Agents

National Trust Company, Limited, *Toronto and Montreal*
Canada Permanent Trust Company,
Halifax, Winnipeg and Calgary
The Canada Trust Company, *Vancouver*

Registrars

The Royal Trust Company, *Toronto and Montreal*
Canada Permanent Trust Company,
Halifax, Winnipeg and Calgary
The Canada Trust Company, *Vancouver*

Directors' Report to the Shareholders:

Sales and Profits

In 1975 sales were \$548,000,000 or 10.7% greater than year earlier volume and, for the first time in the Company's history, exceeded the one-half billion dollar mark. This sales increase was not sufficient however to accommodate the mounting load of expense incurred during this past year of increasing inflation. Prolonged and costly strikes in public services and private industry, followed by increased wages and benefits without corresponding increases in productivity, led to a gradual erosion of public confidence in our political leaders' ability to solve the problems besetting the economy.

Earnings, including equity in net earnings of Simpsons-Sears Limited and shopping centre companies, decreased to \$22,190,000 from \$26,117,000, excluding a non-recurring profit of \$1,106,000 in 1974. Earnings per share on the weighted average number of shares outstanding were 47.3¢ for 1975, compared with 55.6¢ in the previous year.

New Facilities

Over the past few months we occupied our huge new Metropolitan Road Service Building in Toronto, which will serve as a heavy goods distribution centre for our Ontario stores. Some of the heavy moving costs added to our expense burden this year.

Our new Kitchener store of 180,000 square feet, including 45,000 square feet of warehouse space, was opened in August, 1975. This store enjoyed immediate acceptance. However, a prolonged transportation strike of three months to December, 1975 definitely slowed the original momentum but in spite of this we exceeded our original sales estimates. We expect this beautiful store to produce well in more normal conditions.

In co-operation with Sobeys, we built and opened the Simpsons Mall adjacent to our Mumford Road store in Halifax. The Mall, which is 95% leased, contains a Sobeys supermarket and provides Simpsons with 100,000 square feet of modern warehouse space.

Capital expenditures in 1976 should not exceed \$9,000,000 with an estimated \$12,000,000 in 1977.

Financing and Simpsons-Sears

Last fall when Simpsons-Sears Limited required more equity capital, it issued rights to purchase additional common shares to the holders of its Class A, Class B and Class C shares. Class A shares are non-voting and trade on the market. Class B and Class C shares are wholly owned



Charles B. Stewart
President

G. Allan Burton
Chairman of the Board

by Simpsons, Limited and Sears, Roebuck and Co. respectively and equally, and are all the voting shares. The partners each invested an additional \$23,800,000 in order to maintain their equal voting rights in Simpsons-Sears Limited. For this purpose your Company issued \$25,000,000 20 year, 11¾% debentures, Series J to bring our total investment in Simpsons-Sears Limited to \$64,350,800.

Since 1952 we have received cash dividends of \$43,929,000 from Simpsons-Sears and have in undistributed earnings \$79,297,000, for a total of \$123,226,000. Our equity in the net earnings of Simpsons-Sears in 1975 represented 24.6 cents per share of the earnings of Simpsons, Limited.

Forecast

While having been shaken in the early months by the most stringent government controls on business and wages ever, except in wartime, we believe the year 1976 as a whole will slowly and somewhat painfully recover a degree of real gain.

On our part we intend to follow, to the best of our ability, the Government Anti-Inflation guidelines and yet improve our performance, although the guidelines particularly punish efficiency and reward mediocrity. We will continue to press on with our more sophisticated Data Processing Centres and Merchandise Distribution Systems which, although costly, will repay us handsomely in years to come. We have already instituted strict expense controls and will increase our efforts to eliminate wasted effort and inefficiency in the hope that we and others will set an example for governments in this regard. Finally, better control of expense plus greater productivity from the individual plus increased sales, should equal better net returns.

Employee Benefits

At the beginning of 1976, a new Simpsons Pension Plan and a new Simpsons Profit Sharing Stock Purchase Plan went into effect. These Plans have been under study and development for the past two years and, due to the enthusiastic response, we feel the employees share our belief that they represent the best in our industry. The annual cost to the Company of the new Plans will be higher but our employees are our most valuable asset.

Directors and Officers

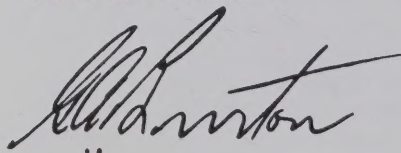
Mr. W. D. Allport, Vice-President and Comptroller and a Director of Simpsons, Limited, has retired from his position and will not stand for re-election to the Board of Directors. Mr. Allport has made a notable contribution for nearly

forty years to the growth and success of our Company in the accounting and financial divisions. He has served on the Board of Directors since 1965.

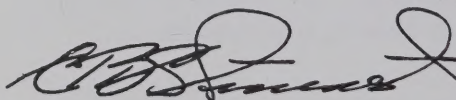
Mr. A. E. Wilkes, who has 38 years' service with Simpsons and was today appointed Vice-President, Finance, has agreed to allow his name to stand for election to the Board.

We would like to thank the Officers and staff for their dedication and determination to keep Simpsons—Among the great stores of the world.

On behalf of the Board



Chairman of the Board and
Chief Executive Officer



President

March 19, 1976

Simpsons, Limited
and Subsidiary Companies

**Consolidated
Statement
of Earnings**

	Fiscal year ended January 7, 1976 (52 weeks)	Fiscal year ended January 8, 1975* (53 weeks)
Net sales	\$547,939,763	\$494,919,635
Rentals and other income	3,426,282	3,260,391
	551,366,045	498,180,026
Deduct:		
Cost of merchandise sold and selling and administrative expenses	509,252,358	451,628,430
Depreciation	5,175,818	4,550,420
Write-off on departmental improvements	4,077,645	3,689,292
Interest expense (Note 4)	11,957,274	10,595,334
Contribution to Simpsons Profit Sharing Retirement Fund	1,012,642	1,813,360
	531,475,737	472,276,836
Earnings from operations before income taxes	19,890,308	25,903,190
Provision for income taxes	9,891,000	13,442,000
Earnings from operations	9,999,308	12,461,190
Equity in net earnings of other companies:		
Simpsons-Sears Limited (dividends received 1975—\$6,748,000; 1974—\$6,020,000)	13,210,774	14,227,095
Shopping centre companies (dividends received 1975—\$525,000; 1974—nil)	637,876	926,710
Interest attributable to investments in these companies, net of income taxes		
1975—\$1,666,000; 1974—\$1,662,000 (Note 4)	(1,657,500)	(1,498,000)
	12,191,150	13,655,805
Earnings before extraordinary item	22,190,458	26,116,995
Non-recurring profit (Note 5)	—	1,105,700
Net earnings for the fiscal year	\$ 22,190,458	\$ 27,222,695
Earnings per share before extraordinary item	47.3¢	55.6¢
Net earnings per share	47.3¢	58.0¢

*Reclassified to conform with presentation for fiscal year ended January 7, 1976.

**Consolidated Statement
of Retained Earnings**

Balance at beginning of year	\$199,367,812	\$181,063,225
Net earnings for the fiscal year	22,190,458	27,222,695
Increase in equity in Simpsons-Sears Limited on issue by that company of additional Class A shares (Note 3)	630,079	470,231
	222,188,349	208,756,151
Dividends on common shares (1975—21.5 cents per share; 1974—20.0 cents per share)	10,096,772	9,388,339
Balance at end of year	\$212,091,577	\$199,367,812

Simpsons, Limited
and Subsidiary Companies

**Consolidated
Balance Sheet**

Assets	January 7, 1976	January 8, 1975
Current Assets:		
Cash	\$ 4,949,970	\$ 1,829,536
Accounts receivable (Note 2)	154,539,473	144,805,779
Inventories	85,105,580	87,858,272
Prepaid expenses	4,634,072	4,667,734
	<u>249,229,095</u>	<u>239,161,321</u>
Investments and Other Assets:		
Simpsons-Sears Limited (Note 3)	143,647,765	112,754,912
Other investments and advances (Note 5)	15,547,806	12,474,122
Loans to a Trustee under Employees' Stock Purchase Plan (Note 8)	4,059,012	4,102,635
Accounts receivable (Note 2)	1,419,876	1,427,303
	<u>164,674,459</u>	<u>130,758,972</u>
Fixed Assets:		
Land and buildings	130,794,758	129,020,052
Equipment and fixtures	47,513,398	44,099,213
	<u>178,308,156</u>	<u>173,119,265</u>
Less accumulated depreciation	50,767,064	46,409,213
	<u>127,541,092</u>	<u>126,710,052</u>
Departmental improvements, less amounts written off	19,289,250	18,923,773
	<u>146,830,342</u>	<u>145,633,825</u>
Unamortized Debenture Discount and Expense	1,550,845	1,557,668
	<u>\$562,284,741</u>	<u>\$517,111,786</u>

Liabilities**January 7, 1976****January 8, 1975****Current Liabilities:**

Demand and short term notes (Note 6)	\$ 40,380,038	\$ 28,195,088
Accounts payable	43,195,663	40,498,520
Accrued wages, rent, interest, etc.	15,163,291	15,441,257
Customers' deposit accounts	954,228	994,438
Income and other taxes	5,409,300	11,093,259
Contribution payable to Simpsons Profit Sharing Retirement Fund	1,012,642	1,813,360
Principal payments on long term debt due within one year (Note 7)	91,000	—
	106,206,162	98,035,922
Long Term Debt (Note 7)	177,075,000	154,152,000
Deferred Income Taxes	13,531,000	12,293,000
	296,812,162	264,480,922

Shareholders' Equity**Capital Stock:**

Common shares (Note 8)		
Authorized—60,000,000 shares without nominal or par value		
Issued—46,967,288 shares (January 8, 1975—46,942,850 shares)	36,526,377	36,408,427

Retained Earnings	212,091,577	199,367,812
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Appraised Value of Land and Buildings in Excess of Depreciated Book Value on July 31, 1952	16,854,625	16,854,625
	265,472,579	252,630,864
	\$562,284,741	\$517,111,786

Approved by the Board of Directors:

G. A. Burton, Director

C. L. Gundy, Director

Simpsons, Limited
and Subsidiary Companies

**Consolidated
Statement
of Changes
in Financial
Position**

	Fiscal year ended January 7, 1976 (52 weeks)	Fiscal year ended January 8, 1975 (53 weeks)
Sources of Working Capital:		
Earnings before extraordinary item	\$ 22,190,458	\$ 26,116,995
Non-cash charges deducted in arriving at earnings:		
Depreciation and write-off on departmental improvements	9,253,463	8,239,712
Deferred income taxes	1,238,000	1,547,000
Other	241,630	159,088
Equity in undistributed net earnings of Simpsons-Sears Limited and shopping centre companies	(6,575,650)	(9,133,805)
Funds provided from operations	26,347,901	26,928,990
Sale of investment, less income taxes	—	6,105,700
Non-current accounts receivable	7,427	(33,158)
Common shares issued (Note 8)	117,950	21,609
Decrease (Increase) in loans to a Trustee under Employees' Stock Purchase Plan (Note 8)	43,623	(11,107)
Disposals of fixed assets	356,113	91,544
Proceeds from sale of debentures	24,868,025	14,861,626
	51,741,039	47,965,204
Applications of Working Capital:		
Additions to fixed assets	6,362,971	19,016,218
Expenditures on departmental improvements	4,443,122	7,442,072
Additional investment in Simpsons-Sears Limited shares	23,800,000	—
Other investments and advances	3,063,640	2,493,115
Retirement of long term debt	2,077,000	2,454,000
Dividends on common shares	10,096,772	9,388,339
	49,843,505	40,793,744
Resulting in an increase in working capital of	\$ 1,897,534	\$ 7,171,460
Working capital at end of year	\$143,022,933	\$141,125,399

Simpsons, Limited and Subsidiary Companies

Notes to Consolidated Financial Statements

1. Summary of Accounting Policies:

Principles of consolidation: The consolidated financial statements include the accounts of Simpsons, Limited and all subsidiary companies.

Inventories: Inventories are valued at the lower of approximate cost and realizable value. Cost is determined for retail store inventories on a first-in, first-out basis applied by the retail inventory method, and for supplies and miscellaneous inventories on a first-in, first-out or average cost basis applied by individual items.

Investments: The investment in Simpsons-Sears Limited is carried at cost plus equity in undistributed net earnings. The equity method of accounting has also been applied to 25% to 50% ownership interests in shopping centre companies. Other investments are carried at cost.

Fixed assets: Fixed assets are stated at cost except for land and buildings included at 1952 appraised values of \$34,920,390. Depreciation provided on the buildings has reduced the net depreciated book value of the appraised land and buildings to \$23,813,392 at January 7, 1976.

Depreciation provisions are computed by the straight-line method at rates based on the estimated useful lives of the depreciable assets. Departmental improvements are written off over their estimated useful lives.

Unamortized debenture discount and expense: Debenture discount and expense are amortized by the reducing balance method or by the straight-line method, as applicable, to the due dates of the respective debentures.

Profits on instalment sales: Profits on instalment sales are taken into earnings at the time of sale. The service charges are taken into earnings, and included in net sales, as earned.

Income taxes: Income taxes are accounted for on the tax allocation method whereby income taxes are fully provided on reported earnings at current tax rates. Reported earnings differ from taxable income because of timing differences, principally depreciation which under income tax legislation currently exceeds the depreciation provided in the financial statements.

2. Accounts Receivable:

	January 7, 1976	January 8, 1975
Customer instalment accounts	\$126,250,968	\$114,531,494
Charge and other customer accounts	33,648,499	31,961,842
Miscellaneous accounts	2,396,204	5,546,153
	162,295,671	152,039,489
Less allowance for doubtful accounts	6,336,322	5,806,407
	155,959,349	146,233,082
Non-current accounts receivable	1,419,876	1,427,303
	<u>\$154,539,473</u>	<u>\$144,805,779</u>

In accordance with recognized trade practices, instalment accounts receivable include amounts which will not become due within one year. However, other accounts receivable not expected to be collected within one year, arising from large scale contracts of the Contract Division, have been classified as non-current accounts receivable. For the most part the Contract Division is engaged in furnishing and equipping institutional and commercial premises.

3. Simpsons-Sears Limited:

The investment in Simpsons-Sears Limited, representing 41.1% of the outstanding shares of that company, is carried at cost plus equity in undistributed net earnings. Simpsons, Limited equity in net earnings of Simpsons-Sears Limited for each fiscal year is included in the earnings of Simpsons, Limited for the corresponding fiscal year. See page 15 for summarized financial information on Simpsons-Sears Limited.

Simpsons, Limited and Sears, Roebuck and Co., each owns an equal number of the voting shares of Simpsons-Sears Limited while the non-voting Class A shares are owned by other shareholders. The issue of additional Class A shares by Simpsons-Sears Limited at an amount per share in excess of book value increases Simpsons, Limited equity in Simpsons-Sears Limited. Such increases are credited to retained earnings.

4. Interest Expense:

	Fiscal year ended January 7, 1976 (52 weeks)	January 8, 1975 (53 weeks)
Interest expense charged to operations has been determined as follows:		
Interest on long term debt, including amortization of discount and expense	\$11,894,426	\$11,657,007
Other interest	3,386,348	2,098,327
	15,280,774	13,755,334
Less interest attributable to investments in Simpsons-Sears Limited and shopping centre companies	3,323,500	3,160,000
	<u>\$11,957,274</u>	<u>\$10,595,334</u>

Notes to Consolidated Financial Statements

The interest attributable to investments in Simpsons-Sears Limited and shopping centre companies, calculated by applying Simpsons, Limited average borrowing rate to the cost of the investments, is presented separately in the consolidated statement of earnings, net of income taxes, as a deduction from the equity in the earnings of these companies.

5. Other Investments and Advances:	January 7, 1976	January 8, 1975
Shares in public companies (quoted market value January 7, 1976—\$2,528,750; January 8, 1975—\$2,625,000)	\$ 1,973,442	\$ 1,973,442
Shares in and advances to shopping centre companies	5,369,864	3,974,142
Long term prepaid rent	4,042,286	2,781,514
Miscellaneous	4,162,214	3,745,024
	<u>\$15,547,806</u>	<u>\$12,474,122</u>

On the sale in 1974 of the investment in shares of a public company Simpsons, Limited realized a profit of \$1,105,700 after applicable income taxes of \$394,300.

6. Demand and Short Term Notes:

These notes include demand notes of \$34,560,000 at January 7, 1976 (\$6,770,000 at January 8, 1975) payable to banks.

7. Long Term Debt:	January 7, 1976	January 8, 1975
Simpsons, Limited Debentures—		
5 % Series B due December 1, 1976	\$ 91,000	\$ 91,000
5½ % Series C due September 15, 1979	76,000	82,000
5¼ % Series D due February 1, 1984	8,495,000	8,683,000
5¾ % Series E due July 15, 1985	10,609,000	11,059,000
6½ % Series F due March 15, 1987	10,472,000	10,927,000
9½ % Series G due December 15, 1989	12,423,000	13,310,000
8¾ % Series H due June 1, 1993	25,000,000	25,000,000
9½ % Series I due February 15, 1994	15,000,000	15,000,000
11¾ % Series J due November 15, 1995	25,000,000	—
	107,166,000	84,152,000
Less principal payments due within one year	91,000	—
	<u>107,075,000</u>	<u>84,152,000</u>
Simpsons Acceptance Company Limited Secured Debentures —		
6 % Series B due May 15, 1981	15,000,000	15,000,000
5½ % Series C due June 15, 1982	10,000,000	10,000,000
5¼ % Series D due April 1, 1984	10,000,000	10,000,000
6¾ % Series E due June 15, 1986	10,000,000	10,000,000
8¾ % Series F due March 15, 1992	10,000,000	10,000,000
8¾ % Series G due December 15, 1992	15,000,000	15,000,000
	70,000,000	70,000,000
	<u>\$177,075,000</u>	<u>\$154,152,000</u>

Principal payments required subsequent to January 7, 1976 for the fiscal years shown are as follows: 1976—\$91,000; 1977—\$2,249,000; 1978—\$3,875,000; 1979—\$7,276,000; 1980—\$7,200,000.

8. Capital Stock:

Under the terms of the Employees' Stock Option Plan 24,438 common shares were issued during the fiscal year ended January 7, 1976 for \$117,950. The Employees' Stock Option Plan provides that the option price shall be the market price of the shares on the day immediately preceding the date of grant and that the options may not be exercised later than ten years from date of grant.

Outstanding options at January 7, 1976 were as follows:

Date options granted	Option price per share	Officer directors and other officers	Other employees	Total
January 1969	\$5.54	—	46,702	46,702
February 1971	6.21	25,800	—	25,800
		<u>25,800</u>	<u>46,702</u>	<u>72,502</u>

On January 19, 1973 the Board of Directors authorized a Stock Purchase Plan under which Simpsons, Limited made interest-free loans to a Trustee which in turn made interest-free loans to employees to enable them to purchase shares, and to repay loans arranged subsequent to June 1971 for the purchase of shares, under the Employees' Stock Option Plan. Such loans to employees are repayable on or before January 2, 1979 and are secured by deposit with the Trustee of shares of Simpsons, Limited having a market value at the date the optioned shares were purchased equivalent to 133⅓ % of each loan.

9. Pension and Profit Sharing Plans:

Effective January 1, 1976 Simpsons, Limited introduced a new contributory pension plan providing improved retirement benefits to employees. Concurrently with the adoption of the new plan, neither Simpsons, Limited nor the employee members will make any further contributions or deposits to Simpsons Profit Sharing Retirement Fund. This Fund continues, however, with the annuity value of each member's balance forming part of the pension payable under the provisions of the new contributory pension plan.

The unfunded obligation on the new contributory pension plan, estimated by independent actuaries to be approximately \$31,000,000 at January 7, 1976, is to be amortized by annual payments through 1990.

A new voluntary contributory Profit Sharing Stock Purchase Plan has also been established with effect from January 8, 1976. Each year Simpsons, Limited will contribute 2½% of consolidated earnings, as defined, up to a maximum of the total contributions of the members. All contributions will be invested in shares of Simpsons, Limited.

10. Commitments and Contingent Liabilities:

- (a) Annual rentals under long term leases amount to approximately \$5,300,000.
- (b) Simpsons, Limited has guaranteed \$2,500,000 of a note payable by Les Galeries d'Anjou Limitée, a 50% owned shopping centre company. An equal amount of the note payable has been guaranteed by the other 50% owner of the company.
- (c) Simpsons, Limited and Hudson's Bay Company, part owners of Woodbine-Sheppard Shopping Centre Limited, have jointly and severally agreed to meet all payments of interest and principal on its \$17,006,000 principal amount of Bonds. Cemp Investments Ltd., the other part owner of the company, has agreed to make available 50% of all funds which Simpsons, Limited and Hudson's Bay Company may be called upon to provide under their agreements.

11. Capital Expenditures:

Capital expenditures during the fiscal year ending January 5, 1977 are estimated at \$9,000,000 for the completion of construction in progress and other authorized and proposed additions to fixed assets.

12. Remuneration of Directors and Officers:

For the fiscal year ended January 7, 1976 the fourteen directors and one past director received aggregate remuneration as directors of \$50,000 (1974—fourteen directors and one past director, \$50,197). The aggregate remuneration of the eleven officers and three past officers was \$1,166,172 (1974—eleven officers and four past officers, \$1,164,580). Six officers served also as directors. The total remuneration of directors and officers is paid by The Robert Simpson Company Limited, a subsidiary of Simpsons, Limited, and partly distributed to other operating subsidiaries.

13. Anti-Inflation Programme:

Simpsons, Limited and its subsidiaries are subject to controls on prices, profits, compensation and dividends instituted by the Federal Government in the Anti-Inflation Act effective October 14, 1975. At this time there are a number of general uncertainties concerning implementation of the programme. It is reasonably clear, however, that the companies are in compliance with the guidelines and regulations for the interim period to the fiscal year end of January 7, 1976.

Auditors' Report:

To the Shareholders of
Simpsons, Limited:

We have examined the consolidated balance sheet of Simpsons, Limited and subsidiary companies as at January 7, 1976 and the consolidated statements of earnings, retained earnings and changes in financial position for the fiscal year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at January 7, 1976 and the results of their operations and the changes in their financial position for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.
Chartered Accountants
Toronto, March 11, 1976

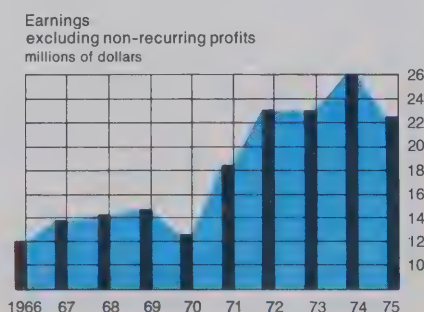
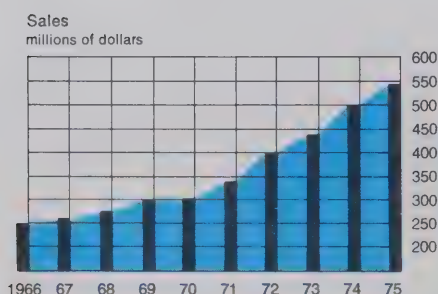
Simpsons, Limited
and Subsidiary Companies

**Ten Years
in Review**

	1975	1974†
Operating Results (in thousands)		
Net sales	\$547,940	\$494,920
Provision for depreciation	5,176	4,550
Write-off on departmental improvements	4,078	3,689
Interest expense	11,957	10,595
Income taxes	9,891	13,442
Earnings from operations	9,999	12,461
Dividends from Simpsons-Sears Limited	6,748	6,020
Equity in undistributed net earnings of Simpsons-Sears Limited	6,463	8,207
Equity in net earnings of shopping centre companies	638	927
Interest attributable to investments in Simpsons-Sears Limited and shopping centre companies, net of income taxes	1,657	1,498
Net earnings	22,190	26,117*
Dividends paid	10,097	9,388
Financial Position (in thousands)		
Working capital	143,023	141,125
Land, buildings and equipment (after depreciation)	127,541	126,710
Total assets	562,285	517,112
Long term debt	177,075	154,152
Shareholders' equity	265,473	252,631
Per Common Share (adjusted for stock splits)		
Net earnings per share (in cents)	47.3	55.6*
Dividends paid per share (in cents)	21.5	20.0
Ratios and Statistics		
Ratio of current assets to current liabilities	2.3-1	2.4-1
Number of shares issued	46,967,288	46,942,850
Number of shareholders	15,255	15,344
Approximate price range per common share	9½-6½	9¼-5¼

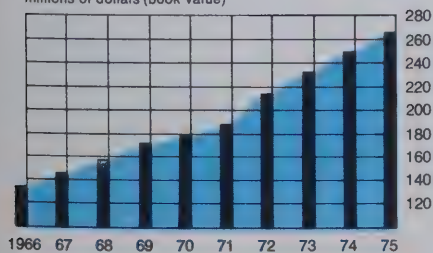
*Excluding non-recurring profit †53 weeks

1974 and prior years restated (see Notes to Consolidated Financial Statements—Note 4)

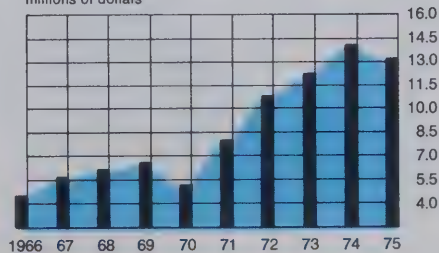


1973	1972	1971	1970	1969	1968†	1967	1966
\$436,044	\$392,889	\$335,197	\$302,535	\$300,579	\$276,303	\$259,446	\$248,022
4,075	3,873	3,723	3,336	3,081	2,599	2,331	2,198
3,253	2,970	2,845	2,375	2,169	1,865	1,823	1,846
8,416	6,412	5,798	5,726	5,385	5,013	4,908	4,754
11,815	11,840	9,782	9,364	10,489	9,951	9,339	8,341
11,846	13,057	10,014	8,154	8,960	8,598	8,680	7,818
5,034	3,293	3,168	3,168	3,036	2,574	2,088	1,800
7,511	7,829	5,082	2,189	3,728	3,636	3,457	2,658
566	510	806	128	44	104	101	46
1,382	1,072	863	835	802	773	639	547
23,574	23,617*	18,345	12,803	14,966*	14,139*	13,686*	11,775
8,970	7,292	6,106	6,095	6,041	4,802	4,471	4,272
133,954	115,184	102,911	104,948	111,606	93,940	94,237	84,801
112,336	104,884	97,932	97,031	89,364	86,745	80,046	71,873
460,249	417,583	358,163	336,124	323,781	310,855	285,956	266,074
141,606	118,487	95,084	102,496	105,456	94,108	95,874	82,595
234,305	214,393	192,948	179,426	171,623	159,334	145,631	133,774
50.5	51.3*	40.1	28.0	33.1*	31.4*	30.6*	27.8
19.2	15.8	13.3	13.3	13.3	10.7	10.0	10.0
2.8-1	2.5-1	2.7-1	3.3-1	3.8-1	2.8-1	3.3-1	2.8-1
46,938,619	46,156,233	45,931,119	45,726,450	45,679,458	45,082,728	44,949,012	44,605,230
14,546	11,553	10,995	10,887	10,426	8,829	8,862	9,027
11⅝-7½	10⅝-7½	7½-5⅝	7⅛-4½	7¾-5½	6¾-5	6-4¼	5¼-4¼

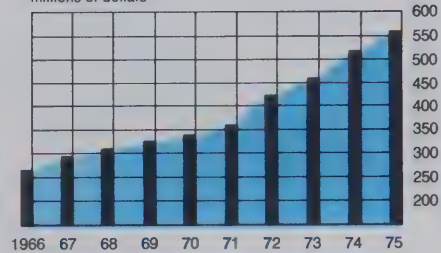
Shareholders' Equity
millions of dollars (book value)



Equity in net earnings
of Simpsons-Sears Limited
millions of dollars



Total assets
millions of dollars



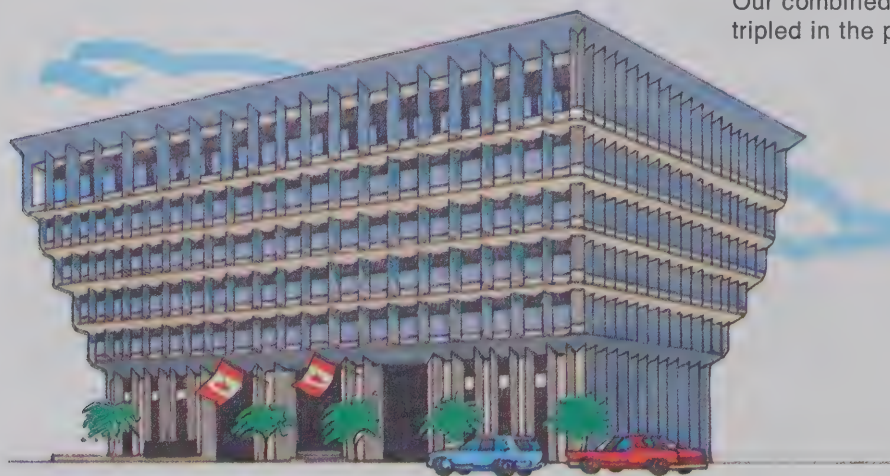
Market Strategy

The 1952 Agreement between Simpsons, Limited and Sears, Roebuck and Co. leading to the creation of Simpsons-Sears Limited has not been changed in any way.

In 1973 the two equal partners decided, as permitted in the original agreement, to allow Simpsons and Simpsons-Sears to have stores in each others areas by specific and individual agreements for each location. This decision is consistent with our intention to serve Canadians in all parts of Canada in the best way possible and is part of our overall market strategy.

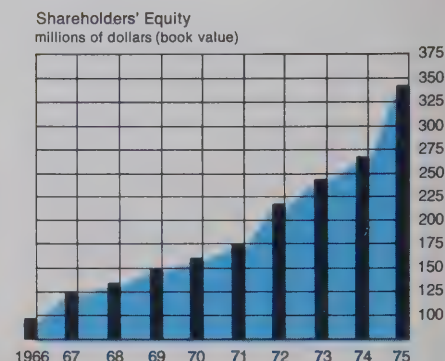
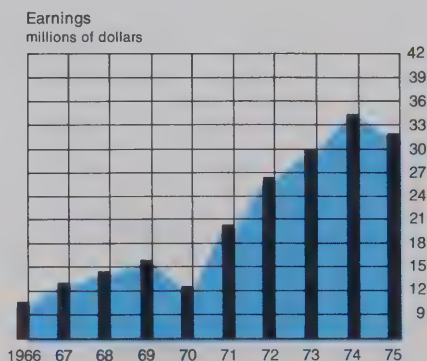
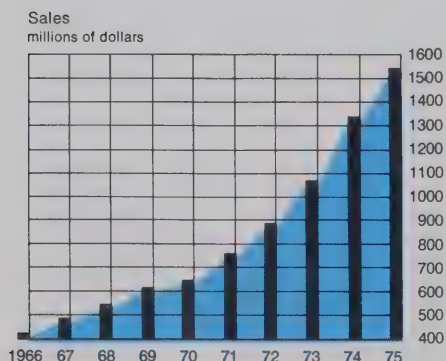
It is easier of course for Simpsons-Sears to obtain suitable locations for new stores in the larger markets in Eastern Canada than it is for Simpsons to find suitable locations in the more highly stored cities in Western Canada. Up to date Simpsons-Sears has opened three stores in the Toronto area and two in the Montreal area with another to open in Montreal in the spring of this year. Simpsons has opened stores in Ottawa, Windsor and Kitchener.

In 1952 Simpsons total sales volume was 200 million dollars. This year the combined sales volume of Simpsons and Simpsons-Sears was in excess of 2 billion dollars. Our combined share of the market of all retail sales has tripled in the past twenty-three years.



Simpsons-Sears Headquarters Building
222 Jarvis Street, Toronto, Canada

Simpsons-Sears Limited and Subsidiary Companies



Simpsons-Sears Limited and Subsidiary Companies

Highlights

	1975	1974
Operating Results for the Fiscal Year		
Net sales, including rentals and other income	\$1,551,482,000	\$1,343,336,000
Cost and expenses	1,493,088,000	1,276,581,000
Earnings before income taxes	58,394,000	66,755,000
Provision for income taxes	28,993,000	34,620,000
Earnings from operations	29,401,000	32,135,000
Equity in earnings of associated companies	2,717,000	2,319,000
Net earnings	<u>\$ 32,118,000</u>	<u>\$ 34,454,000</u>
Per share	47¢	51¢
Simpsons equity in earnings	\$ 13,211,000	\$ 14,227,000
Simpsons share of dividends paid	\$ 6,748,000	\$ 6,020,000

Financial Position at Fiscal Year-End

Assets:

Current assets	\$ 715,453,000	\$ 655,244,000
Investments and other assets	36,755,000	31,733,000
Fixed assets, net	298,389,000	254,106,000
	<u>\$1,050,597,000</u>	<u>\$ 941,083,000</u>

Liabilities and Shareholders' Equity:

Current liabilities	\$ 283,867,000	\$ 311,445,000
Long term debt	402,573,000	342,423,000
Deferred income taxes	19,091,000	17,739,000
	705,531,000	671,607,000
Capital stock	182,355,000	121,724,000
Retained earnings	162,711,000	147,752,000
	<u>\$1,050,597,000</u>	<u>\$ 941,083,000</u>

Retail stores by provinces

Ontario	23	Retail Stores	56
British Columbia	9	Catalogue Centres	4
Quebec	9	Sales Offices	646
Alberta	6		
Saskatchewan	3		
New Brunswick	3		
Manitoba	2		
Newfoundland	1		

A copy of Simpsons-Sears Limited Annual Report for 1975 may be obtained by writing to the Secretary of Simpsons, Limited.

**Simpsons
Department
Stores (19)**

Toronto Area

Downtown
Yorkdale Shopping Centre
Cedarbrae Plaza
Fairview Mall
Sherway Gardens
Shoppers' World—Brampton
Scarborough Town Centre
Hillcrest Mall—Richmond Hill

Montreal Area

Downtown
Fairview-Pointe Claire Shopping Centre
Les Galeries d'Anjou
Le Carrefour Laval

Halifax Area

Mumford and Chebucto Roads
Micmac Mall—Dartmouth

Regina

Downtown

London

Downtown

Ottawa

Downtown

Windsor

Devonshire Mall

Kitchener

Fairview Park Mall

Simpsons Contract Division Offices (14) are located in Vancouver, Calgary, Edmonton, Regina, Saskatoon, Winnipeg, Sudbury, London, Toronto, Ottawa, Montreal, Quebec City, Fredericton and Halifax.

People value really counts at

Simpsons



... people meeting people

Over 40,000,000 times a year, in person, on the phone, at the door . . . every time a transaction takes place. There is a genuine attitude of friendliness between Simpsons customers and staff.

... who are we?

More than 12,000 people . . . veteran professionals and eager trainees, skilled technicians, artists, merchants, salespeople. Especially prominent throughout the occupational mosaic are the stalwart members of Simpsons 25-year Club, sharing their knowledge with the new generation.

... rewarding people

Sharing in the progress and profits of the Company is a key to Simpsons high standards of performance. Simpsons profit sharing plan, active staff benefits, and retirement security program contribute to a feeling of unity and job satisfaction.

... community people

Simpsons is a good Corporate citizen and benefits the economy of our 19 locations and more. In all of these, notable contributions in community services are made by Simpsons people . . . good citizens too, because that's the kind of people we are.

**103 Years of Serving
Canadians**

Sim